83-1647 (1)

No. 83-

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IN THE

Supreme Court of the United States

October Term, 1983

LINDY PEN COMPANY, INC., and
BLACKFEET PLASTICS, INC.,
Petitioners,

vs.

BIC PEN CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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April 5, 1984

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72 pp

Question Presented

Whether the Ninth Circuit erred in ruling, contrary to the holdings of other circuits, that respondent Bic Pen Corporation could defend the trademark infringement claims of petitioners Lindy Pen Company, Inc. and Blackfeet Plastics, Inc. on the ground that the registered trademark lacked secondary meaning after petitioners' right to use the mark had achieved incontestable status under the Lanham Act, and thus defeat the registrant's right to offensive use of incontestability to obtain injunctive and other relief for infringement.

Parties

The parties named in the caption are the only parties to this action.

Pursuant to Supreme Court Rule 28.1, petitioners Lindy Pen Co., Inc. and Blackfeet Plastics, Inc., identify their parent companies, subsidiaries (except wholly owned subsidiaries) and affiliates as follows: Blackfeet Plastics, Inc. is a wholly owned subsidiary of Blackfeet Indian Writing Company, Inc., P.O. Box 729, Browning, Montana 59417.

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No. 83-

IN THE

Supreme Court of the United States

October Term, 1983

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,
Petitioners,

vs.

BIC PEN CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Petitioners hereby request that this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Ninth Circuit entered February 16, 1984, and further request that this case be consolidated for purposes of argument with *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 718 F.2d 327 (9th Cir. 1983), *cert. granted*, 52 U.S.L.W. 3650 (March 5, 1984) (No. 83-1132).

Opinions Below

The opinion of the United States Court of Appeals for the Ninth Circuit, which is reported at —— F.2d —— (9th Cir. 1984), is reprinted as Appendix A, pp. A1-A15 of this petition.

The Findings of Fact and Conclusions of Law, and the Judgment of the United States District Court for the Central District of California, which are reported at 550 F. Supp. 1056 (C.D. Calif. 1982), are reprinted as Appendix B, at pp. A17-A30 of this petition.

Jurisdiction

The judgment of the Ninth Circuit was entered in this action on February 16, 1984. Neither party requested rehearing.

The Jurisdiction of this Court is invoked pursuant to 28 U.S.C. §1254(1).

Statutes Involved

The statutes involved in this petition are 15 U.S.C. §§1065 and 1115, which provide in full as follows:

§1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous

use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided,* That—

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in subsections (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

(As amended Jan. 2, 1975, Pub.L. 93-596, §1, 88 Stat. 1949; Aug. 27, 1982, Pub.L. 97-247, §10, 96 Stat. 320.)

§1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Any registraton issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of ths title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than

as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is provided; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

(July 5, 1946, c. 540, Title VI, §33, 60 Stat. 438; Oct. 9, 1962, Pub.L. 87-772, §18, 76 Stat. 774).

Statement of the Case

Introduction

This case involves a conflict among the circuits with regard to the basic rights of the holders of trademarks registered under the Lanham Act, 15 U.S.C. §§1051-1127. In the decision from which petitioners seek a writ of certiorari, the Ninth Circuit, contrary to the Fifth, Seventh and Tenth Circuits (as well as many district courts), has held that a trademark registrant may not obtain injunctive relief against an alleged infringer in reliance on the incontestable status of its right to use its mark. The Court ruled that, even though a registrant's right to use its mark has achieved incontestability status under 15 U.S.C. §1065, and even though 15 U.S.C. §1115(b) expressly provides that such a registration shall be *conclusive evidence* of the registrant's *exclusive* right to use the mark, the registrant may not rely upon §1115(b) in an infringement action when seeking an injunction to preserve that exclusive right to use the mark.

The Ninth Circuit held that a registrant may only use the incontestability status of its mark to defend against cancellation of its registration, but not offensively to enjoin unauthorized use of the mark by another.

Statement of Related Case

On March 5, 1984, this Court granted certiorari in *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.** to decide the same question here presented. The conflict between the rule in the Ninth Circuit, where the owner of an incontestable mark is not permitted to rely upon 15 U.S.C. §1115 to obtain relief against trademark infringement, and the rule in other circuits where such reliance is permitted (in accord with the plain language of the statute) is set forth in the *Park 'N Fly* petition filed January 10, 1984.**

The District Court Case

This trademark infringement action was originally brought in the United States District Court for the Central District of California. Plaintiff Lindy charged defendant Bic with infringement of Lindy's registered and incontestable trademark AUDITOR'S for ballpoint pens. Lindy sought injunctive relief and damages pursuant to 15 U.S.C. §§1114(1), 1115, 1116 and 1117. Blackfeet Plastics, Inc. was added as party plaintiff after it purchased Lindy's assets, including the relevant ballpoint pen line, associated trademarks and company name.

Both Lindy and Bic manufacture ballpoint pens. In 1955, Lindy adopted AUDITOR'S as a trademark for ball-

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* 718 F.2d 327 (9th Cir. 1983), *cert. granted,* 52 U.S.L.W. 3650 (March 5, 1984) (No. 83-1132).

** The *Park 'N Fly* petition for a writ of certiorari is reprinted as Appendix C, at A31-A50 of this petition. Pursuant to Rule 19.4, Rules of the Supreme Court, petitioners herein rely on the *Park 'N Fly* petition for its discussion of the Ninth Circuit's erroneous application of federal trademark law and the conflict between the application in that circuit and the other circuits.

point pens and has imprinted that mark on the barrel and on the packaging and advertisements of certain of its pens continuously ever since. In 1966, Lindy registered its trademark on the Principal Register of the United States Patent and Trademark Office.*

In 1971, Lindy complied with 15 U.S.C. §1065 and established the incontestability of its right to use the registered mark on the specified goods. In the words of the statute, the registration became conclusive evidence of Lindy's exclusive right to use the registered mark AUDITOR'S in commerce on or in connection with ballpoint pens. 15 U.S.C. §1115(b).

The infringement action in the district court was premised on Bic's use of the identical mark on the identical goods covered by Lindy's registration, namely, the mark AUDITOR'S on ballpoint pens.

At trial Lindy argued, *inter alia,* that because its right to use the mark had become incontestable, the registration was conclusive evidence, under §1115(b), of Lindy's exclusive right to use the mark AUDITOR'S on ballpoint pens; that Bic's use of the identical mark on the identical goods was likely to cause confusion, mistake or deception; and that Bic was therefore liable for infringement and should be enjoined unless Bic proved one of the seven defenses specified in §1115(b).

The district court held that Lindy's trademark was valid and incontestable under §1065. The court went on, however,

* Federal Trademark Registration No. 815,488, September 20, 1966.

to rule against Lindy's claims. It dismissed the complaint essentially on three grounds:

(1) The court held, despite the incontestability of Lindy's registration, that the AUDITOR'S trademark was "merely descriptive" and had not been shown to have acquired "secondary meaning."

(2) The court held there was no likelihood of confusion as to origin, *inter alia,* because both parties used their house marks, i.e., "Lindy" and "Bic" respectively, on their ballpoint pens and packaging, along with the AUDITOR'S mark.

(3) The court held that Bic's use was a "fair use" under §1115(b)(4) and was therefore a defense to infringement even if it were assumed that incontestability could be used as a "sword."*

The Ninth Circuit Appeal

On appeal, the Ninth Circuit agreed that Lindy's trademark AUDITOR'S was valid and incontestable, but refused to permit Lindy to rely upon incontestability pursuant to §1115(b) in support of its claim for relief for infringement, saying: "The law of this circuit is otherwise. Incontestability of a mark may protect the registrant's mark from cancellation but is of no offensive use."

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* The so-called fair use defense is one of seven enumerated defenses permitted by §1115(b) in an infringement action involving an incontestable mark. It does not apply when the accused mark is being used as a trademark. It may apply when the accused mark is being used fairly only to describe the goods. The district court's holding on this defense was expressly reversed by the Ninth Circuit.

The Ninth Circuit reversed the district court on the fair use issue after determining that Bic's use of Lindy's AUDITOR'S mark was a trademark use and not a "fair use" to describe Bic's ballpoint pens. The Ninth Circuit concluded that, to the extent likelihood of confusion existed, Bic was not immune from liability for infringement on the basis of the fair use defense.

With respect to likelihood of confusion, the Ninth Circuit affirmed in part and reversed in part.

As to those Bic pens sold over the telephone or otherwise where the customer did not have an opportunity to carefully view them or their packaging, the Ninth Circuit: (1) reversed as clearly erroneous the underlying finding that the marks were not confusingly similar; (2) was persuaded that Lindy had probably established likelihood of confusion with respect to such sales; and (3) vacated that portion of the district court's opinion and remanded for further proceedings.

As to those Bic pens sold over the counter or by mail order where visual examination occurred, the Ninth Circuit affirmed the district court's holding that the presence of the Lindy and Bic house marks on the pens and packaging overcame the likelihood of confusion resulting from both parties' use of the identical AUDITOR'S trademark. As explained below, the Ninth Circuit's refusal to accord any offensive value to the incontestable status of Lindy's AUDITOR'S trademark lies at the heart of this affirmance.

Lindy had contended that the district court's legal standard for determining likelihood of confusion was too

narrow because it was limited only to confusion as to the "origin" of the goods. Lindy cited cases showing that the proper test is broader and encompasses confusion as to sponsorship or association between the goods.* Thus, even if the names of the manufacturers appeared on their AUDITOR'S marked pens and the pens and packaging were dissimilar in appearance, consumers were still likely to be confused as to whether Lindy had sold its business to Bic, or whether Lindy had licensed its AUDITOR'S mark to Bic, or whether there was some other association between Lindy's AUDITOR'S brand pens and the identically marked Bic pens.

The Ninth Circuit agreed with Lindy that the proper test does embrace confusion as to sponsorship or association but held that, even when measured against that standard, Lindy's claim must fail as a matter of law in view of the district court's finding that the mark had not acquired secondary meaning. The Ninth Circuit thus stated, "In the absence of secondary meaning we do not see how Lindy could prevail on its sponsorship confusion claim." Had the Ninth Circuit given the proper weight to the incontestable status of Lindy's right to use its trademark, the alleged absence of secondary meaning could not have been permitted as a defense and the court could not have arrived at this conclusion.

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* Lindy's cases included, e.g., *Jacobs* v. *Beecham*, 221 U.S. 263, 273 (1911) (likelihood of confusion from defendant's use of plaintiff's trademark is not ameliorated by statement on goods that defendant is the manufacturer because natural interpretation would be that defendant had bought the original business and was carrying it on); *A. T. Cross Co.* v. *Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2nd Cir. 1972) (addition of the words "by Bradley" along with use of plaintiff's trademark on ballpoint pen packaging "does not save the day; a purchaser could well think plaintiff had licensed defendant as a second user and the addition is thus an aggravation, and not a justification").

Reasons for Allowing the Writ

This Court has already granted certiorari in *Park 'N Fly* to resolve the conflict between the Ninth Circuit and the other circuits regarding the proper application of §1115 (b) of the Lanham Act in trademark infringement actions. The same conflict is present in the instant case. Certiorari should be granted here also, and the cases consolidated, so that the Court may resolve the conflict from a broader perspective.

More specifically, the question presented in *Park 'N Fly* was whether the Ninth Circuit erred in permitting a defense to the claimed infringement of an incontestable, registered mark on the ground that the mark was "merely descriptive." In the instant case, the Ninth Circuit permitted the very similar but more encompassing defense that the incontestable, registered mark AUDITOR'S had not achieved "secondary meaning."* In both cases, the Ninth Circuit allowed these defenses because of its belief that incontestability may not be used offensively by the registrant.

The cases from the other circuits are in conflict with the Ninth Circuit's "defensive only" interpretation of

* "Secondary meaning" refers to the trademark significance or distinctiveness acquired through use by a mark which is not inherently distinctive. The absence of secondary meaning is commonly alleged as a defense to infringement actions involving marks which have not achieved incontestable status and which may not be inherently distinctive, e.g., marks alleged to be primarily geographically descriptive or primarily merely surnames as well as those alleged to be merely descriptive. *See* 15 U.S.C. §1052(e). Thus, the defense that a mark has no secondary meaning applies to a broader range of marks than the "merely descriptive" defense.

§1115(b). These cases permit an offensive use of incontestability and hold that "an incontestable mark cannot be challenged as lacking secondary meaning; such marks are conclusively presumed to be nondescriptive or to have acquired secondary meaning." *Soweco, Inc.* v. *Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). *See also Beer Nuts, Inc.* v. *Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983); *Union Carbide Corp.* v. *Ever-Ready, Inc.*, 531 F.2d 366, 377 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). Indeed, the conclusive presumption of nondescriptiveness or secondary meaning has been said to be perhaps the most significant benefit that incontestability confers on a mark. *Soweco*, 617 F.2d at 1185.

In both *Park 'N Fly* and this case, the Ninth Circuit has judicially engrafted a "defensive only" limitation onto the incontestability provision of the statute, thus thwarting the registrant's incontestable right to exclusive use of its mark—a statutory right expressly provided by §1115(b) of the Lanham Act.*

Nothing in the statute states or even implies that a mark's incontestability status was intended to be defensive only. *Per contra*, on the face of the statute itself, only §1065 is defensive (e.g., by limiting the grounds for can-

* As explained in the *Park 'N Fly* petition [A31-A50 herein], the congressional history of the Lanham Act shows the intent of Congress to unify trademark law nationally, and to confer substantive rights so that trademarks will receive the greatest national protection that can be given. Thus, the Ninth Circuit should not be permitted to hold, as it did here, that "the law of this circuit is otherwise" than the plain language of the statute which provides "conclusive evidence of the registrant's exclusive right to use the registered mark" on the specified goods.

cellation) while §1115(b) is offensive (e.g., by providing the exclusive right to use and limiting the defenses in *infringement* actions). By its decisions, however, the Ninth Circuit has effectively negated §1115(b) and frustrated the purpose for which it was enacted.

In enacting §1115(b) of the Lanham Act, Congress expressly endowed the registrant with conclusive evidence of its exclusive right to use its registered mark once the right to use that mark had become incontestable pursuant to §1065. Congress then limited the defenses which may be asserted when defending an infringement action on an incontestable mark to the seven defenses enumerated in §1115(b). Lack of secondary meaning is *not* among them.*

There is no indication that Congress intended to establish any defenses to an infringement action on an incontestable mark beyond those seven listed in §1115(b). *See,* e.g., *Soweco, Inc.* v. *Shell Oil Co.,* 617 F.2d 1178 (5th Cir. 1980); *Union Carbide Corp.* v. *Ever-Ready, Inc.,* 531 F.2d 366 (7th Cir. 1976); *John R. Thompson Co.* v. *Holloway,* 366 F.2d 108 (5th Cir. 1966).

In *Park 'N Fly,* the Ninth Circuit permitted the extra-statutory defense that the mark was merely descriptive. Here, the Ninth Circuit permitted the potentiallly broader extra-statutory defense that the mark lacked secondary meaning. And, as explained above, the Ninth Circuit applied that defense as a matter of law to preclude Lindy's claim of likelihood of confusion as to sponsorship or association.

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* As noted, *supra* at p. 10, the Ninth Circuit specifically ruled in favor of Lindy on the only §1115(b) defense aserted by Bic, i.e., the "fair use" defense.

The *Park 'N Fly* petition illustrates how the Ninth Circuit's disregard for the clear language of §1115(b) threatens the integrity of federal trademark law and abrogates the rights of registrants which Congress endeavored to protect thereunder. The instant case represents yet another erosion of those federal rights in the Ninth Circuit.

Conclusion

For the foregoing reasons, petitioners respectfully request that this Court grant the Writ of Certiorari and consolidate this case with *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.* (No. 83-1132). In the alternative, petitioners request that disposition of their petition be deferred pending resolution of *Park 'N Fly*.

Respectfully submitted,

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Dated: April 5, 1984

APPENDICES

APPENDIX A

Opinion and Judgment of the United States Court of Appeals for the Ninth Circuit, Entered February 16, 1984.

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

No. 82-6053

D.C. No. CV 80-10-CHH

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,
Plaintiffs-Appellants,

v.

BIC PEN CORPORATION,
Defendant-Appellee.

OPINION

Appeal from the United States District Court
for the Central District of California

Hon. Cynthia Holcomb Hall, Presiding

Argued and Submitted: November 7, 1983

Before:

HUG and FLETCHER, Circuit Judges, and
INGRAM,* District Judge

FLETCHER, Circuit Judge:

Lindy Pen Company, owner of a trademark registration for the word "Auditor's" in connection with ballpoint pens,

* Hon. William A. Ingram, United States District Judge for the Northern District of California, sitting by designation.

sued Bic Pen Corporation for trademark infringement, unfair competition, breach of contract and trademark dilution. After a bench trial limited to the issues of liability, the district court entered judgment for Bic on all claims. Lindy appeals.

Background

Both Lindy and Bic manufacture a variety of ballpoint pens. In 1955, Lindy began to use the word "Auditor's" in connection with the sale of its 460-F model fine point, non-refillable, stick pen. In 1966, Lindy obtained federal trademark registration for the use of "Auditor's" in connection with the sale of ballpoint pens. Lindy imprints the mark on the barrel of its model 460-F fine point pens and uses it on the packaging and advertisements for 460-F pens. Lindy sells most of its 460-F pens to the retail trade. The record appears to indicate that Lindy has also sold 460-F pens to at least one distributor in the commercial trade.[1]

Bic manufactures a fine point pen, model PF, imprinted with the phrase "Auditor's fine point." It adopted the designation in 1979 in order to distinguish its PF pen from its retail fine point and accountant fine point pens. The Bic PF is functionally identical to these retail fine point pens, but has a differently colored hexagonal barrel and contrasting cap and button. Bic Sells its PF pens to the commercial office supply trade and sells its fine point and accountant fine

1. The parties stipulated that Lindy's 460-F pens were "sold primarily to wholesalers for resale to retailers, and to the commercial trade." At trial, Lindy presented the testimony of a former employee of a commercial outlet that his company handled Lindy 460-F pens. In addition, Lindy's president testified that Lindy sold unspecified models to various customers in the commercial trade, and that Lindy had developed its model 850 pen especially for the commercial trade.

point pens to the retail trade. Because the pricing structure of the retail market differs from that of the commercial market, Bic decided to sell a distinct product line exclusively to commercial accounts to avoid the possibility of price erosion between markets. The trial court found, however, that a small number of Bic's PF pens reached retail outlets.

Lindy filed suit in 1980. While the lawsuit was pending, Lindy sold its assets to Blackfeet Plastics, Inc. Blackfeet Plastics was joined as a plaintiff before trial. Lindy and Blackfeet Plastics appeal the district court's judgment for Bic on Lindy's trademark infringement and breach of contract claims.

I. Trademark Infringement.

The essential question in a trademark infringement case is whether the alleged infringement creates a likelihood of confusion. *Shakeys, Inc.* v. *Covalt,* 704 F.2d 426, 431 (9th Cir. 1983); *Jockey Club, Inc.* v. *Jockey Club of Las Vegas, Inc.,* 595 F.2d 1167 (9th Cir. 1979). Unless there is a likelihood of confusion, there is, under the Lanham Trademark Act, no liability for trademark infringement. 15 U.S.C. § 1114 (1976). *See Carson Manufacturing Co.* v. *Carsonite International Corporation,* 686 F.2d 665, 670 (9th Cir. 1981), *cert. denied,* —— U.S. ——, 103 S.Ct. 1499 (1983). In an infringement suit, the plaintiff bears the burden of proving likelihood of confusion, *see Golden Door, Inc.* v. *Odisho,* 646 F.2d 347, 349 (9th Cir. 1980), which "exists when consumers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark." *Alpha Industries* v. *Alpha Steel Tube & Shapes,* 616 F.2d

440, 443 (9th Cir. 1980) (quoting *Scott Paper Co.* v. *Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978)).

We treat a determination of the likelihood of confusion as a conclusion of law premised on an analysis of a number of subsidiary factors, including the strength of plaintiff's mark, the similarity of the marks, the similarity of plaintiff's and defendant's goods and the proximity of their marketing channels, evidence of actual confusion, defendant's intent in selecting the mark, the type of goods and the degree of care exercised by purchasers. *See Carson Manufacturing Co.* v. *Carsonite International Corporation,* 686 F.2d at 670-71. We consider these factors to be "foundational facts" and review them under the clearly erroneous standard. *Alpha Industries* v. *Alpha Steel Tube & Shapes,* 616 F.2d at 443-44; *see Golden Door, Inc.* v. *Odisho,* 646 F.2d at 349.

A. Foundational Facts.

The district court found that "Auditor's" was a weak mark, that there was no evidence of actual confusion, that Bic adopted the designation "Auditor's fine point" without intent to capitalize on Lindy's mark and that, although the pens were inexpensive, Lindy had made no showing that purchasers failed to exercise ordinary caution. None of these findings is clearly erroneous. The record indicates that a number of competing pen manufacturers had used or were using "Auditor's" to designate fine point pens at the time Lindy adopted the word as a trademark. Prior to selecting "Auditor's" to designate its PF pen, Bic determined that several brands of pens advertised "auditor's point" or "auditor's extra fine point" pens. Bic elicited testimony from Lindy's witnesses that "Auditor's" indi-

cated a pen with an extra fine point. Lindy introduced no evidence of actual confusion[2] and no testimony indicating purchaser carelessness.

The district court also found that Bic and Lindy sold the PF and 460-F pens in different markets, and through different marketing channels. Finally, the district court concluded that Lindy's "Auditor's" mark and Bic's "Auditor's fine point" mark were not confusingly similar because they appeared in conjunction with "BIC" and "LINDY" on pens, packaging and promotional material that were dissimilar in appearance. Lindy challenges both of these findings as clearly erroneous. We reverse the district court's finding that Lindy and Bic sell the pens in different marketing channels, and reverse in part the finding that the marks are not confusingly similar.

1. Marketing Channels

Much of the testimony given at trial focused upon the marketing channels in which the 460-F and PF pens are sold. The district court determined that Bic sold its PF pens to mail order and telephone solicitation markets for resale to commercial users, but that some Bic PF pens reached the retail market. It found that Lindy sold 460-F pens to wholesalers for resale to retail customers. Despite the

2. Lindy argues that actual confusion must be inferred from evidence that sales of 460-F pens diminished after Bic marketed its PF pen. The district court found that the decreasing sales of 460-F pens were consistent with the overall decline in Lindy's business. This finding is amply supported by evidence in the record. One of Lindy's witnesses, a wholesaler, indicated that his company had dropped the entire Lindy line in response to Lindy's difficulty in meeting orders. Lindy's president testified to a number of conditions causing Lindy serious commercial difficulties during the 1970's. Ultimately, Lindy sold its assets to Blackfeet Plastics, Inc. in 1981.

parties' stipulation that Lindy sold some 460-F pens in the commercial market and testimony indicating that Lindy had sold 460-F pens to at least one commercial distributor, the district court made no express finding as to Lindy's past or current presence in the commercial market.[3] We hold that the determination that the two companies are not in the same channel of trade is clearly erroneous. In *Alpha Industries* v. *Alpha Steel Tube & Shapes,* 616 F.2d at 445, we concluded that some overlap in channels of trade was, on balance, not significant enough to put the companies in the same channel of trade where the goods sold were related but not identical, the purchasers were two distinct groups, the buyers were knowledgeable and the items were expensive. Here, in contrast, the ballpoint pens are essentially interchangeable, the purchasers overlap and are regularly exposed to pens sold in both commercial and retail markets, and the pens are inexpensive, disposable items. In view of the court's finding that some percentage of Bic's PF pens are sold in the retail market and the evidence in the record indicating that some Lindy 460-F pens have been sold in the commercial market, we conclude that the parties sell pens in convergent marketing channels. *See AMF, Inc.* v. *Sleekcraft Boats,* 599 F.2d 341, 353 (9th Cir. 1979). Convergent marketing channels increase the likelihood of confusion. *Id.*

3. Lindy argues that the decline in sales of its 460-F pen, *see supra* note 2, is additional evidence of its sales to the commercial trade prior to Bic's marketing of the PF pen. We disagree. Lindy presented no evidence indicating the percentage of the dimunition in 460-F sales attributable to commercial accounts, and its own witnesses testified to conditions that would account for substantial reduction in sales of Lindy pens in the retail market.

2. Similarity of The Marks.

Overwhelming evidence at trial established that the Lindy and Bic pens and all packaging, display and promotional materials were dissimilar in appearance and readily distinguishable. The trial court further found that the trademarks "BIC" and "LINDY" were prominently and repeatedly displayed on the pens and all packaging and promotional materials. The trial court therefore concluded that the two marks, Lindy's "Auditor's" and Bic's "Auditor's fine point," considered in the context in which they appeared in the marketplace, were not confusingly similar.

Lindy argues that the district court erred in determining whether the marks were confusingly similar without first finding as a threshold matter that the two marks were almost identical. Lindy insists that the court, thus, collapsed the inquiry as to similarity of the marks into the ultimate legal conclusion whether defendant's mark creates a likelihood of confusion. *See AMF, Inc.* v. *Sleekcraft Boats,* 599 F.2d at 350. Although Lindy is correct that it is improper to equate the two inquiries, *see id.*, we read the district court's opinion to reflect the appropriate examination of the marks' similarity. The two marks viewed in isolation are indeed identical, but their similarity must be considered in light of the way the marks are encountered in the marketplace and the circumstances surrounding the purchase of the pens. *Alpha Industries* v. *Alpha Steel Tube & Shapes,* 616 F.2d at 444; *AMF, Inc.* v. *Sleekcraft Boats,* 599 F.2d at 351; *Walt Disney Productions* v. *Air Pirates,* 581 F.2d 751, 759 (9th Cir. 1978), *cert. denied sub nom. O'Neill* v. *Walt Disney Productions,* 439 U.S. 1132 (1979); *see Vitarroz Corp.* v. *Borden, Inc.,* 644 F.2d 960, 967 (2d Cir. 1981).

We have thoroughly examined numerous exhibits reflecting the appearance of the pens, their packaging, and their promotional materials. The pens' dissimilar appearance, the dominance of the company marks and logos on the pens themselves and on all packaging and promotional material, and the dissimilar and distinctive packaging and advertisement designs overcome the similarity of the marks considered in isolation. Insofar as the marks are encountered in the marketplace permitting visual examination of the pens themselves or their packaging or promotional material, the district court correctly found that the marks are readily distinguishable in the context in which they are encountered.[4]

We agree with Lindy, however, that a different conclusion probably follows with respect to the telephone solicitation marketplace. Where prospective purchasers typically have little opportunity to see the product or promotional material, the dissimilarities in appearance have no ameliorating effect. The district court made no findings expressly concerning telephone sales of the PF and 460-F pens.[5] Evidence in the record indicates, however, that Bic

4. In *AMF, Inc.* v. *Sleekcraft Boats,* 599 F.2d 341, 351 (9th Cir. 1979), we noted that the use of a house mark and distinctive logo could reduce the likelihood of confusion, but concluded that the effect was negligible where the house mark was inconspicuous and the logo often absent. Here, by contrast, the marks are always accompanied by prominent house marks and logos, compared to which the marks are themselves inconspicuous.

5. From the evidence presented at trial on the operation of the various marketing channels, it appears that retail outlets order pens directly from manufacturers or through wholesalers, referring to the pens' manufacturer, model number and ink color, and then typically sell the pens from displays supplied by the manufacturer. Mail order and telephone marketing outlets order pens directly from the manufacturer, also by model number and color. Mail order outlets send flyers or envelope stuffers to prospective customers or place ads with order blanks in publications. The flyers or ads offer the pens in bulk at a substantial discount from list price. Telephone outlets call prospective customers and offer them pens and other office supplies in bulk at similar discounts.

sold a substantial number of PF pens for resale in the telephone solicitation market and that Lindy sold at least some pens to that market. Evidence further indicates that some consumers may have ordered pens from telephone sales outlets by the designation "Auditor's" rather than by brand, model number or point size.[6] On the basis of the record before us, we conclude that the finding that the marks were not confusingly similar is clearly erroneous with respect to the telephone solicitation marketplace. Some of the testimony given at trial appears to reflect a practice of telephone sales in the retail trade. Because the district court's findings do not address telephone sales in any detail, we are unable to determine whether retail telephone sales are common or whether retail telephone customers have the opportunity to view the pens or promotional material. The district court should make these determinations on remand.

B. Legal Standard for Likelihood of Confusion.

Lindy challenges the district court's legal standard for determining likelihood of confusion as unduly narrow. The court required Lindy to demonstrate a likelihood of confusion or deception "as to the origin of the goods." We agree with Lindy that the test for likelihood of confusion in this circuit is broader, embracing confusion as to the association between the goods or sponsorship of the allegedly infringing goods. *See Shakey's Inc.* v. *Covalt,* 704

6. Mr. Linden also testified that some of Lindy's accounts ordered pens by the name "Auditor's." Because these orders were placed directly with the pen's manufacturer, we do not believe that the practice, standing alone, supports a conclusion of likelihood of confusion with respect to purchases for resale. Our concern is with the likelihood of confusion attending consumer's purchases from these accounts.

F.2d at 431; *Carson Manufacturing Co.* v. *Carsonite International Corp.*, 686 F.2d at 670; *Golden Door, Inc.* v. *Odisho*, 646 F.2d at 349; *Alpha Industries* v. *Alpha Steel Tube & Shapes*, 616 F.2d at 443.

We conclude, however, that Lindy's claim that Bic's use of the mark "Auditor's" creates a likelihood of confusion as to Lindy's sponsorship of, or association with, Bic's PF pens must nonetheless fail. The district court held that Lindy had not shown that its mark "Auditor's" had acquired secondary meaning. Secondary meaning is a question of fact. *See Levi Strauss & Co.* v. *Blue Bell, Inc.*, 632 F.2d 817, 821 (9th Cir. 1980). The district court's finding that "Auditor's" did not have secondary meaning is not clearly erroneous. *See Faberge, Inc.* v. *Saxony Products, Inc.*, 605 F.2d 426, 428 (9th Cir. 1979). Lindy's mark is weak. In the absence of secondary meaning, we do not see how Lindy could prevail on its sponsorship confusion claim. *See HMH Publishing Co.* v. *Brincat*, 504 F.2d 713, 718-19 (9th Cir. 1974).[7]

C. Necessity for Remand.

We affirm the district court's findings that Lindy's mark is weak and without secondary meaning, that there is no evidence of actual confusion, that Bic adopted the designation "Auditor's fine point" without intent to capitalize on Lindy's goodwill, and that purchasers tend to use such ordinary caution as is reasonable with respect to inexpensive, disposable goods. We also affirm the district court's finding that in the context of retail over-the-counter and

7. Lindy's only evidence on this aspect of its claim was the speculative testimony of one of its customers that had she seen a Bic PF pen prior to learning of Lindy's lawsuit she might have assumed that Bic and Lindy had merged.

mail order sales, the marks as encountered in the marketplace are dissimilar. We reverse the district court's finding that Bic and Lindy do not sell the PF and 460-F pens in the same channel of trade, and reverse the finding that the marks are dissimilar insofar as it applies to the telephone sales marketplace.

We now turn to the district court's conclusion that Bic's use of the word "Auditor's" on its PF pens creates no likelihood of confusion. On the basis of the record before us, we have no difficulty affirming the district court's conclusion that Lindy has failed to show a likelihood of confusion with respect to retail over-the-counter sales, mail order sales and sales by the manufacturer to intermediaries. Our examination of the record persuades us, however, that Lindy has probably established likelihood of confusion with respect to the telephone sales market. Because the district court failed to make detailed factual findings with respect to that particular market, we prefer to vacate that portion of the district court's opinion and remand for further proceedings. We find it difficult, on the record before us, to determine the extent to which Lindy sold 460-F pens to the commercial telephone sales trade during the relevant time periods, or the extent to which telephone sales occur in the retail trade. It is the district court who heard the testimony and assessed the credibility of the witnesses. Moreover, the district court has the benefit of a more complete record than that before us on appeal. We emphasize that it is Lindy who bears the burden of proof. *Golden Door, Inc.* v. *Odisho,* 646 F.2d at 349. On remand, the district court should make additional findings of fact with respect to the telephone sales market or markets, and proceed to make a new determination of the similarity of the marks

as they are encountered in the telephone sales marketplace before determining whether Lindy has established a likelihood of confusion.

D. Incontestability and Fair Use.

The district court found that Lindy's mark had become incontestable under the provisions of 15 U.S.C. § 1065 (1976). Lindy argued below that the incontestability of its mark, without more, entitled it to prevail on its infringement claim under the provisions of 15 U.S.C. § 1115(b) (1976).[8] Assuming, without deciding, that incontestability entitled Lindy to prevail in the absence of a showing of likelihood of confusion, the district court ruled that Bic had established a statutory enumerated defense to a claim of infringement of an incontestable mark, in that Bic's use of the word "Auditor's" was "a use, otherwise than as a trade or service mark . . . of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods and services of such party. . . ." 15 U.S.C. § 1115(b)(4) (1976). Lindy renews on appeal its

8. 15 U.S.C. § 1115(b) 1976) provides, in pertinent part:

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

. . .

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin . . . .

argument that the incontestable status of its mark entitles it to an injunction in order to preserve its exclusive right to use its mark on ballpoint pens. The law of this circuit is otherwise. Incontestability of a mark may protect the registrant's mark from cancellation, but is of no offensive use. *Prudential Insurance Co.* v. *Gibraltar Financial Corp.*, 694 F.2d 1150, 1153 (9th Cir. 1982), *cert. denied*, —— U.S. ——, 103 S.Ct. 3638 (1983); *see Tillamook County Creamery Association* v. *Tillamook Cheese and Dairy Association*, 345 F.2d 158, 163 (9th Cir.), *cert. denied*, 382 U.S. 903 (1965). There can be no liability for trademark infringement, even where a mark has attained incontestable status, in the absence of likelihood of confusion. *See Prudential Insurance Co.* v. *Gibraltar Financial Corp.*, 694 F.2d at 1153.

Relying on the district court's ruling on the so-called fair use defense, however, Bic invokes its fair use of Lindy's mark to immunize it from liability for infringement even where likelihood of confusion has been shown. This court has never adopted so broad an interpretation of the fair use defense, and we decline to do so here. We have recognized that liability for infringement may not be imposed for using a registered trademark in connection with truthful comparative advertising. *See SSP Agricultural Equipment, Inc.* v. *Orchard-Rite Ltd.*, 592 F.2d 1096, 1103 (9th Cir. 1979); *Saxony Products, Inc.* v. *Guerlain, Inc.*, 513 F.2d 716, 722 (9th Cir. 1975); *Smith* v. *Chanel*, 402 F.2d 562, 563 (9th Cir. 1968). The use Bic is making of the mark "Auditor's" is not such a use. Nor is Bic using the word merely to describe the size of its PF pen's ballpoint.[9] We conclude that Bic is making a trademark use of the word "Auditor's," and is not immune from liability for infringement on the

9. Bic conceded that it uses the word "Auditor's" to distinguish its PF pen from other Bic pens with the same size ballpoint.

basis of the fair use defense. To the extent that the district court's ruling on this issue may be deemed applicable to Lindy's claim for infringement based on a likelihood of confusion, we reverse that ruling.[10]

II. Breach of Contract.

Lindy asserted, as an alternate theory for recovery, a purported settlement agreement comprising correspondence between Bic's and Lindy's attorneys. In 1965, prior to obtaining federal trademark registration, Lindy discovered that Bic was selling ballpoint pens with "auditor's extra fine point" stamped on their barrels. Lindy wrote to Bic demanding that it cease using the word "Auditor's".[11] Bic referred the letter to outside counsel. In the ensuing exchange of letters, Bic maintained that its use of the word was merely descriptive of a type of pen and Lindy insisted

10. Because of our disposition of this issue, we need not reach Lindy's argument that Bic is not entitled to assert the defense because its use of the word "Auditor's" is intended to deceive consumers by indicating that the PF pen has an extra-fine point.

11. The district court found that Lindy had been vigilant in policing its mark. The record supports this finding. According to Lindy's president, Sydney Linden, the company's policy has been to claim trademark rights and obtain trademark registration for all names used in connection with its pens. Lindy holds federal trademark registrations for "Utility," "Legal Copy," "2'n'1," "Shorty-shorty," and "Utractapen," and has claimed proprietary trademark rights in "Steno" pen, "Reverse-A-Point" pen, "Exec-Sec" pen, "Fast-Riter" pen and "Clear" pen. Lindy has diligently policed its claimed rights by requesting other manufacturers to cease using words that Lindy has adopted as trademarks. The record indicates that various competitors acceded to Lindy's requests. Between 1965 and 1969, Lindy wrote letters asserting its exclusive rights to the use of the word "Auditor's" in connection with the sale of ballpoint pens to Bic, Scripto, Eversharp Pen Company and Lee Specialty Company. All four companies disputed Lindy's claims but agreed to cease using the word "Auditor's." Two other businesses agreed to refrain from using "Auditor's" after Lindy filed lawsuits against them. In 1977 and 1978, Lindy persuaded the Major Line Company and the Richard Best Company to cease imprinting "Auditor"s on ballpoint pens.

that it owned the exclusive right to use "Auditor's" in connection with pens. Ultimately, Bic agreed to replace the word "Auditor's" with another descriptive word once it had exhausted its inventory. Subsequently, Lindy noticed two retail advertisements for Bic pens that included the word "Auditor's" and wrote to Bic to complain. Bic responded that the retail advertisers had apparently used the word on their own initiatives and without Bic's authorization. The district court examined the correspondence and determined that it did not constitute a settlement agreement and that the record was otherwise devoid of any evidence of a binding agreement precluding Bic from using the word "Auditor's." We will uphold this finding unless it is clearly erroneous. *See Collins* v. *Thompson*, 679 F.2d 168, 172 (9th Cir. 1982). We have examined the correspondence, and found nothing therein manifesting Bic's concession of any binding limitations on its use of "Auditor's." The parties' conduct during the period of the purported agreement manifests no such concession. We affirm the district court's finding that Bic and Lindy did not enter into a settlement agreement precluding Bic using Lindy's mark.

Conclusion

We affirm the district court's conclusion that there is no likelihood of confusion and, hence, no liability for infringement, with respect to Bic's use of the mark "Auditor's" in the mail order and over-the-counter retail sales markets. We reverse the district court's conclusion that there is no likelihood of confusion in the telephone sales market or markets, and remand the trademark infringement claim for further proceedings with respect to telephone sales. We affirm the judgment of the district court on Lindy's other claims. Affirmed in part, Reversed in part and Remanded.

APPENDIX B

Findings of Fact and Conclusions of Law, and Judgment of the United States District Court for the Central District of California, Entered October 27, 1982.

LINDY PEN COMPANY, INC., and BLACKFEET PLASTICS, INC.,
Plaintiffs,

v.

BIC PEN CORPORATION,
Defendant.

No. CV-80-0010-CCH.

United States District Court,

C.D. California.

Oct. 27, 1982.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

CYNTHIA HOLCOMB HALL, District Judge.

This action came before the Court for trial June 22 through July 1, 1982. The Court, having considered the evidence and briefs of the parties, makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Plaintiff, Lindy Pen Company, Inc. (Lindy), a California corporation having its principal place of business in

North Hollywood, California, manufactures and sells various types of ball point pens identified by the trademark and name LINDY.

2. On or about December 4, 1981, plaintiff Blackfeet Plastics, Inc. (Blackfeet) acquired substantially all of the assets of plaintiff Lindy, including the trademark and name LINDY. Blackfeet is a Montana corporation, having its principal place of business in Browning, Montana.

3. Defendant Bic Pen Corporation (Bic), formerly known as Waterman-BIC Pen Corporation, is a New York corporation having its principal place of business at Milford, Connecticut. Bic manufactures and sells various types of ball point pens throughout the United States (including the Central District of California), identified by the trademark and name BIC.

4. On September 20, 1966, United States Trademark Registration No. 815,488 was issued to Lindy for the word "Auditor's" in connection with ball point pens. Lindy perfected the registration by filing declarations under Sections 8 and 15 of the Lanham Trademark Act, 15 U.S.C. §§ 1058 and 1065. Lindy assigned this trademark to Blackfeet on December 2, 1981.

5. Lindy has been diligent in policing adoptions of the term "Auditor's" or variations thereof as marks for ball point pens. In some ten instances Lindy has notified various ball point pen manufacturers or distributors of its trademark, each of whom, including Bic, voluntarily stopped using the term "Auditor's."

6. In March, 1965, Bic published a catalog showing, and apparently sold, ball point pens having the mark "Auditor's" stamped on their barrels. On May 17, 1965, Mr. Sidney Linden, president of Lindy, wrote to Bic claiming trademark rights in the term "Auditor's" and requesting that Bic cease its use of that mark. Thereafter, correspondence ensued between outside counsel for Bic and counsel for Lindy. The "controversy" was resolved by Bic's agreeing to cease the use of the term "Auditor's" on its pens after the exhaustion of its then existing inventory.

7. In 1979 Bic began selling ball point pens with the legend "Auditor's Fine Point" stamped on the barrels. For 14 years prior to 1979, Bic did not use such a legend or term on any of its products.

8. Bic decided to adopt the legend "Auditor's Fine Point" in 1979 upon the suggestion of Joel Fishkin, Bic's national commercial sales manager. Mr. Fishkin proposed to take Bic's "Fine Point" pen and "dress it up" to justify a higher list price. The pen was to be sold in the commercial market at a price substantially reduced from the list price. Bic chose the term "Auditor's" to identify the pen as having an extra-fine point. Bic did not use its existing legend "Accountant Fine Point" because it did not want to interfere with sales of that pen, which is sold in the retail market.

9. Before Bic approved the use of the legend "Auditor's Fine Point," Bic's in-house counsel Alan Lipson made an inquiry into the propriety of using that legend. Mr. Fishkin showed Mr. Lipson three catalog sheets and a pen, all from

different manufacturers, in which the term "Auditor's" or "Auditor" was used to describe a ball point pen. One of the catalog sheets was for Lindy pens. The catalog sheet made no reference to any claim of a proprietary interest, such as a trademark, for the term "Auditor's." After reviewing this information, Mr. Lipson concluded that the terms "Auditor" and "Auditor's" were commonly used descriptive terms in which no one was claiming registration rights. At the time Bic began using the legend "Auditor's Fine Point" in 1979, it was unaware of Lindy's registered trademark. All references to the earlier 1965 correspondence between Bic and Lindy were held by outside counsel and were unknown to in-house counsel.

10. Mr. Lipson first became aware of Lindy's registered trademark when Lindy filed its complaint. Lindy made no attempt to contact Bic to discuss Bic's use of the legend "Auditor's Fine Point" prior to filing the complaint.

11. The term "Auditor's" was selected by Lindy and has been used by it to inform purchasers that these fine point pens were designed for or would appeal to auditors, accountants and others requiring a fine-point pen.

12. Lindy's customers, when ordering pens of the type in suit, primarily refer to them as "460-F", a model number used by Lindy.

13. Bic's legend "Auditor's Fine Point" was intended as a grade or style designation, as distinguished from other writing instruments manufactured by Bic and bearing such legends as Medium Point, Deluxe Medium Point, Fine Point and Accountant Fine Point. All of these pens were also identified by defendant's trademark and name BIC.

Bic chose the term "Auditor's" to identify the pen as having a fine point, and to be able to list the pen at a higher price than its "Fine Point" pen. In addition, Bic did not want to interfere with sales of its "Accountant's Fine Point" sold in the retail market.

14. The pens in suit are distinguishable. In addition, the packaging and collateral display materials used by the parties in connection with the sale of the respective pens are dissimilar in graphics and textual content.

15. The trademarks and names BIC and LINDY are prominently and repeatedly displayed on the parties' respective packaging and collateral promotional materials so as to avoid any likelihood of confusion, mistake or deception as to source, sponsorship or origin.

16. The term "Auditor's" signifies a class of end users as well as a specific type or model of fine point pen manufactured by plaintiffs and defendant.

17. While Lindy advertised its pens, it has failed to establish that it spent significant sums advertising its "Auditor's" pens as opposed to its other pens or Lindy pens in general.

18. Sales of Lindy's pens have been decreasing for several years. The decreasing sales of the "Auditor's" pen is consistent with the overall decline in Lindy's business.

19. *Strength of Plaintiffs' Trademark.* Plaintiffs' mark is weak. "Auditor's" is a meaningful word in common usage and, when used in the present context, denotes a type

or model of pen distinguishable from broad point pens, laundry and dry cleaning pens, chain-type pens, steno pens, desk pens and other models or types of pens manufactured and sold by plaintiffs and identified by the trademark and name LINDY.

20. *Similarity of the Marks.* Although Bic uses the term "Auditor's," it is used in conjunction with other words ("Fine Point") and defendant's trademark and name ("BIC"). Considering the marks and names in their entirety and as they appear in the marketplace, the marks are not confusingly similar.

21. *Evidence of Actual Confusion.* There has been no showing of actual confusion.

22. *Proximity of the Goods and Marketing Channels Used.* Bic sells the "Auditor's Fine Point" in the mail order and telephone solicitation markets for resale to commercial and industrial users. Some of these pens have been distributed for sale in the retail market by third parties. While the exact percentage of "Auditor's Fine Point" pens produced that reaches the retail market is unknown, it is only a small percentage. Plaintiffs sell the "Auditor's" pen to wholesalers for resale in the retail market. Although some of Bic's "Auditor's Fine Point" pens reach the retail market, on balance it is not significant enough to put the two companies in the same channel of trade.

23. *Defendant's Intent in Selecting the Mark.* There is no indication in the record that defendant sought to capitalize on plaintiffs' mark. Defendant's use of its trademark and name "BIC" rebuts such an inference. As set forth

above, Bic chose the term to identify its pen as having an extra-fine point.

24. *Likelihood of Expansion.* There is no indication that Bic intends to introduce the "Auditor's Fine Point" pen into the retail market. To do so could damage the sales of its "Accountant Fine Point" pen. At this time it is only speculative whether Blackfeet will distribute Lindy products in the commercial market. In fact, the record indicates that one of Blackfeet's reasons for purchasing Lindy was to enter in the *retail* market.

25. *Type of Goods and the Degree of Care Likely to be Exercised by the Purchaser.* Plaintiffs and defendant sell ball point pens of a variety fairly described as relatively inexpensive, throw-away ball point pens having non-replaceable ink cartridges so that when the ink supply is exhausted it is expected that the customer will discard the pen and purchase a new one. There is no indication that purchasers of plaintiffs' and defendant's ball point pens do not exercise ordinary caution.

26. To the extent that any Conclusions of Law are deemed Findings of Fact, they are incorporated herein.

Conclusions of Law

1. To the extent that any Findings of Fact are deemed Conclusions of Law, they are incorporated herein.

I. *Jurisdiction.*

2. This Court has jurisdiction over this case pursuant to 28 U.S.C. §§ 1331(a) and 1338(a). Venue is proper under 28 U.S.C. § 1391(c).

II. *Trademark Infringement, Unfair Competition and False Designation of Origin.*

3. For plaintiffs to succeed on their trademark infringement, unfair competition or false designation claims, the Court must conclude that defendant's use of plaintiffs' mark will cause a likelihood of confusion or deception as to the origin of the goods. *New West Corp. v. Nym Co.*, 595 F.2d 1194, 1201 (9th Cir.1979); *Carter-Wallace, Inc. v. Procter & Gamble Co.*, 434 F.2d 794, 799-800 (9th Cir. 1970); *Golden Door, Inc. v. Odisho*, 437 F.Supp. 956 (N.D. Cal.1977), *aff'd*, 646 F.2d 347 (9th Cir.1980). The same finding is required under California law. *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 791 (9th Cir.1981). "The test is not that there might be a *possibility* of confusion as to the source of plaintiffs' and defendant['s] business, but rather whether there is a likelihood of confusion as to source." *HMH Publishing Co. v. Lambert*, 482 F.2d 595, 598 (9th Cir.1973).

4. The Ninth Circuit in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir.1979), set forth the following factors to consider in determining whether confusion is likely:

(A) *Strength of plaintiffs' trademark.* "A 'strong' mark is one which is used only in a 'fictitious, arbitrary and fanciful manner' . . . whereas a 'weak' mark is a mark that is a meaningful word in common usage . . . or is merely a suggestive or descriptive trademark . . . . A 'strong' mark is entitled to a greater degree of protection than is a 'weak' one because of its unique usage . . . ." *New West Corporation v. NYM Co.*, 595 F.2d at 1201-02 (quoting *J.B. Williams*

Co. v. Le Conté Cosmetics, Inc., 523 F.2d 187 (9th Cir.1975) (citations omitted)). Plaintiff's mark is weak.

(B) *Similarity of the marks.* "Similarity of the marks is tested on three levels: sight, sound, and meaning . . . . Each must be considered as they are encountered in the marketplace." *AMF Inc. v. Sleekcraft Boats*, 599 F.2d at 351. *See also, Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 444 (9th Cir.1980); *Pignons S.A. de Mecanique dePrecision v. Polaroid Corp.*, 657 F.2d 482, 487 (1st Cir.1981). The marks in suit are not confusingly similar.

(C) *Evidence of Actual Confusion.* " 'Evidence that use of two marks has already led to confusion is persuasive proof that future confusion is likely . . . . Proving actual confusion is difficult, however, . . . and the courts have often discounted such evidence because it was unclear or insubstantial' . . . . Moreover, selection of a mark with a common word, just as one with a common surname, 'naturally entails a risk of some uncertainty and the law will not assume absolute protection.' " *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d at 445 (citations omitted). Here there has been no showing of actual confusion.

(D) *Proximity of the Goods and the Marketing Channels Used.* Convergent marketing channels increase the likelihood of confusion, *AMF Inc. v. Sleekcraft Boats*, 599 F.2d at 353, but the Court should consider the entire situation "on balance" in determining whether products are in the same channel of trade. *See Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d at 445. The pens in suit are generally not in the same channel of trade.

(E) *Defendant's Intent in Selecting the Mark.* "If the latecomer adopts the name or mark deliberately to capitalize on the prior user's tradename and thus cause and benefit from the confusion, that is an important factor in finding the likelihood of confusion." *Id.* at 446. To raise an inference of a likelihood of confusion, plaintiffs must show that Bic intended to profit by confusing consumers. *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d at 791 n. 2. There is no indication in the record that defendant sought to capitalize on plaintiffs' mark.

(F) *Likelihood of Expansion.* "[A] 'strong possibility' that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing." *AMF Inc. v. Sleekcraft Boats*, 599 F.2d at 354. There is no such finding in this case.

(G) *Type of Goods and the Degree of Care Likely to be Exercised by the Purchaser.* "In assessing likelihood of confusion to the public, the standard used by the courts is the typical buyer exercising ordinary caution." *Id.* at 353.

5. The Court's findings of fact regarding these factors are set forth above. Based on those findings, I conclude that there is no likelihood of confusion as to the source of plaintiffs' or defendant's pens, and that Bic has not infringed plaintiffs' trademark and is not guilty of unfair competition or false designation of origin.

III. *Incontestability*

6. Plaintiffs' trademark is valid and "incontestable" under § 15 of the Lanham Trademark Act, 15 U.S.C. § 1065.

7. Assuming that § 15 may be used as a "sword," *see Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 371-377 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976); *but see Tillamook County Creamery Ass'n v. Tillamook Cheese and Dairy Ass'n*, 345 F.2d 158, 163 (9th Cir.), *cert. denied*, 382 U.S. 903, 86 S.Ct. 239, 15 L.Ed.2d 157 (1965), I find that defendant uses the term "Auditor's" "otherwise than as a trade or service mark" and that the term "is descriptive of and used fairly and in good faith only to describe . . . its pens." 15 U.S.C. § 1115 (b)(4). Defendant uses the legend "Auditor's Fine Point" to tell the public what type of product it is by referring to a class of user for whom the pen is suited. Defendant's "fair use" is therefore a defense to infringement. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir.1976); *see generally Ideal Indus., Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018, 1027 (7th Cir.1979), *cert. denied*, 447 U.S. 924, 100 S.Ct. 3016, 65 L.Ed.2d 1116 (1980); 1 J. McCarthy, *Trademarks and Unfair Competition* § 11.17 (1973). When a plaintiff chooses a mark with some descriptive qualities, he cannot exclude all competing uses even though the mark is properly registered. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d at 12. As in that case, "it is significant that [Bic] did not use ['Auditor's'] alone . . . as it would doubtless have done if confusion had been intended." *Id.* at 13. And even if Bic were aware of plaintiffs' trademark, more than simple knowledge of prior use is needed to show an intent to misappropriate good will where, as here, plaintiffs chose a highly descriptive mark and defendant merely chose a descriptive word to identify its product. *E.R. Squibb & Sons, Inc. v. Cooper Laboratories, Inc.*, 536 F.Supp. 523, 532 (S.D.N.Y.1982).

IV. *Breach of Contract*

8. Plaintiffs' breach of contract claim is groundless. The record is devoid of any evidence of a binding agreement between the parties precluding Bic from using the term "Auditor's."

V. *Dilution*

9. Bic has not diluted plaintiffs' trademark within the meaning of California Business and Professional Code § 14330. "The dilution doctrine has been described as granting protection "to strong, well recognized marks even in the absence of a likelihood of confusion, if defendant's use is such as to tarnish, degrade or dilute the distinctive quality of the mark.' " *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d at 793. Plaintiffs' mark is neither strong nor distinctive and plaintiffs have failed to prove that Bic has tarnished, degraded or diluted plaintiffs' mark. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d at 345 n. 1.

VI. *Reverse Confusion*

10. Plaintiffs have failed to establish "reverse confusion" as defined by the Court in *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1371 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052, 98 S.Ct. 905, 54 L.Ed. 2d 805 (1978). As discussed above, there is no likelihood of confusion as to the source of plaintiffs' or defendant's pens.

VII. *Additional Conclusions of Law*

11. Plaintiffs' mark is "merely descriptive" and not "suggestive"; little imagination is needed to reach a con-

clusion as to the nature of the product. Allowing plaintiffs the exclusive use of the term "Auditor's" would unduly inhibit the legitimate use of the mark by other sellers; and there is no indication that the public views plaintiffs' trademark as an indication of the product's origin rather than a description. *See AMF Inc. v. Sleekcraft Boats,* 599 F.2d at 349.

12. Plaintiffs have not shown that their trademark has acquired secondary meaning. "The basic element of secondary meaning is a mental recognition in buyers' and potential buyers' minds that products connected with the symbol or device emanate from or are associated with the same source. As recognized in this circuit, '[s]econdary meaning has been defined as *association*[,] nothing more.' " *Levi Strauss & Co. v. Blue Bell, Inc.,* 632 F.2d 817, 820 (9th Cir.1980). The words must connote to the public a product from a unique source. 1 J. McCarthy, *Trademarks and Unfair Competition* § 11:9 (1973).

13. Defendant's estoppel argument and reliance on the pre-Lanham Act case *Walgreen Drug Stores, Inc. v. Obear-Nester Glass Co.,* 113 F.2d 956 (8th Cir.), *cert. denied,* 311 U.S. 708, 61 S.Ct. 174, 85 L.Ed. 459 (1940), is without merit and was previously rejected by this Court.

Accordingly, judgment shall be entered in favor of defendant Bic and against plaintiffs Lindy and Blackfeet.

Judgment

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

No. CV 80-0010-CHH

LINDY PEN COMPANY, INC., and
BLACKFEET PLASTICS, INC.,

Plaintiffs,

v.

BIC PEN CORPORATION,

Defendant.

Based on the Findings of Fact and Conclusions of Law,

IT IS HEREBY ORDERED that judgment be entered in favor of defendant and against plaintiffs.

Dated: October 27, 1982.

/s/ CYNTHIA HOLCOMB HALL

Cynthia Holcomb Hall
United States District Judge

APPENDIX C

Petition for a Writ of Certiorari Filed January 10, 1984 in *Park 'N Fly, Inc.* v *Dollar Park and Fly, Inc.* (No. 83-1132).

A31

No. 83-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

PARK 'N FLY, INC.,
Petitioner,

vs.

DOLLAR PARK AND FLY, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Petitioner hereby requests that this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Ninth Circuit entered October 13, 1983.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit, which is reported at 718 F.2d 327 (9th Cir. 1983), is reprinted as Appendix A, pp. A-1 - A-7 of this petition.

The unpublished Findings of Fact and Conclusions of Law, and the Judgment, Injunction and Costs of the United District Court for the District of Oregon are reprinted as Appendix B, at pp. A-8 - A-15 of this petition.

JURISDICTION

The judgment of the Ninth Circuit was entered in this action on October 13, 1983. Neither party requested rehearing.

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. §1254(1).

STATUTES INVOLVED

The statutes involved in this petition are 15 U.S.C. §§1065 and 1115, which provide in full as follows:

§1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in subsections (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

(As amended Jan. 2, 1975, Pub.L. 93-596, §1, 88 Stat. 1949; Aug. 27, 1982, Pub.L. 97-247, §10, 96 Stat. 320.)

§1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not

preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established.

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062

of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is provided; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

(July 5, 1946, c. 540, Title VI, §33. 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, §18, 76 Stat. 774).

STATEMENT OF THE CASE

Introduction

This case involves a conflict among the circuits with regard to the basic rights of the holders of trademarks under the Lanham Act, 15 U.S.C. §§1051-1127. In the decision from which Petitioner seeks a writ of certiorari, the Ninth Circuit, contrary to the Seventh and Fifth Circuits (as well as many district courts), has held that a trademark registrant may not obtain injunctive relief against an alleged infringer in reliance on the incontestable status of its mark. The Court ruled that, even though a registrant's mark has achieved incontestability status under 15 U.S.C. §1065, the registrant may not obtain injunctive relief based on the conclusive presumption provided by 15 U.S.C. 1115(b) that the mark is not merely descriptive.

The Ninth Circuit, acknowledging its conflict with the Seventh Circuit, held that a registrant may only use the incontestability status of its mark to defend against cancellation

and to protect its continued use of the mark, but not offensively to enjoin the use of the mark by another.

The District Court Case

This trademark infringement action was originally brought in the United States District Court for the District of Oregon. As framed by the Pretrial Order, plaintiff Park 'N Fly, Inc. charged defendant Dollar Park and Fly, Inc. with infringement of its registered service mark "Park 'N Fly"[1], and sought injunctive relief pursuant to 15 U.S.C. §§1114(1) and 1117. Dollar Park and Fly, Inc. counterclaimed, seeking a declaration of invalidity and cancellation of both the "Park 'N Fly" mark noted above as well as a subsequent mark registered by plaintiff.[2]

Jurisdiction was vested in district court pursuant to 15 U.S.C. §1121 and 28 U.S.C. §1338.

Park 'N Fly began its business of off-site airport parking and shuttle service in St. Louis, Missouri in 1967. In August of 1969 Park 'N Fly applied to register the "Park 'N Fly" mark along with the airplane logo mentioned above. After the mark was published for opposition, Registration No. 919,591 was issued by the United States Patent and Trademark Office without opposition on August 31, 1971.[3]

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[1] Federal Registration No. 919,591. The mark also contains the logo of an airplane.

[2] That mark, Federal Registration No. 1,111,956, consisted of the "Park 'N Fly" designation without an airplane logo.

[3] The registration was initially denied because the trademark examiner considered at first that the mark was merely descriptive, and therefore not eligible for the federal trademark protection sought by petitioner absent a showing that the mark had acquired a secondary meaning. 15 U.S.C. §1052(e) & (f) (forbidding *inter alia*, registration of a merely descriptive mark unless it has become "distinctive of the applicant's goods in commerce"). The trademark examiner reversed his position, however, and issued the registration after Park 'N fly demonstrated that the mark was not merely descriptive.

In May of 1977 Park 'N Fly filed an affidavit with the Patent Office in order to establish the incontestability of its mark in accordance with 15 U.S.C. §1065. The mark achieved incontestability status, which established Park 'N Fly's right to exclusive use of the mark "subject only to the cancellation provisions of 15 U.S.C. §1064 and the defenses enumerated in 15 U.S.C. §1115(b)." *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 718 F.2d 327, 330 (9th Cir. 1983), Appendix A to this Petition.

After its St. Louis success, Park 'N Fly opened operations in Montreal, Boston, Atlanta, Memphis, Cleveland and San Francisco, all of which managed the parking and shuttle service business that originated in St. Louis. Since the inception and development of Park 'N Fly, petitioner became aware of other entities using the same or confusingly similar names to its own in the airport parking and shuttle business. Between 1970 and the present, petitioner has successfully challenged such use on more than ten occasions, resorting to litigation in at least one instance. *See Park 'N Fly, Inc.* v. *Park & Fly, Inc.*, 489 F. Supp. 422 (D. Mass. 1979).

Respondent Dollar Park and Fly, Inc., a franchise of the Dollar Rent a Car Company, operates an airport parking and shuttle service in Portland, Oregon. Dollar Park and Fly uses the words "Park and Fly" and other similar designations, including some with an airplane logo, in the conduct of its business.

When Park 'N Fly learned of the use of the mark by Dollar Park and Fly in a business similar to its own, it demanded that Dollar Park and Fly cease using the designation. When the demand was refused Park 'N Fly filed this suit in the Federal District Court in Oregon.

During the pre-trial, trial and post-trial proceedings Park 'N Fly argued, *inter alia*, that Dollar Park and Fly had infringed its incontestable mark and that the infringement should therefore

be enjoined. Park 'N Fly argued further that Dollar Park and Fly's contention that the mark was merely descriptive should not be heard because such a defense was not available to an accused infringer of a mark that had properly achieved incontestable status under §1065.[4]

Dollar Park and Fly stressed that the mark was merely descriptive (and, of course, that it had the right to make such an argument), that the mark was generic, and that there had been no instances of actual confusion of the names, due largely to the fact that Park 'N Fly did not have a facility in Portland, Oregon.

After a trial to the Court on the merits, District Judge Helen J. Frye found in favor of Park 'N Fly and enjoined Dollar Park and Fly's use of the same or similar marks. The Court determined that a mark that has achieved incontestable status could not be challenged on the ground that it was merely descriptive because that ground was not included in 15 U.S.C. §1115,[5]

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[4] Park 'N Fly also argued that the mark was not merely descriptive in any event.

[5] The seven defenses enumerated in §1115(b) are summarized as follows:

1. fraudulent registration;
2. abandonment;
3. use by or with the permission of the registrant "so as to misrepresent the source of the goods or services in connection with which the mark is used";
4. use "otherwise than as a trade or service mark";
5. prior innocent adoption and use;
6. prior registration and use; and
7. prior or current use to violate the antitrust laws of the United States.

citing *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, 537 F.2d 4, 11 (2nd Cir. 1976); *Union Carbide Corp.* v. *Ever-Ready, Inc.*, 531 F.2d 366, 377 (7th Cir. 1976); *Park 'N Fly, Inc.* v. *Park & Fly, Inc.*, 489 F. Supp. 422 (D. Mass. 1979).

The Court concluded that an incontestable mark could, however, be challenged on the ground that it was generic, but specifically found that the mark was not generic. The Court found further that the words "Park 'N Fly" are not merely descriptive.

The Court also rejected defendant's argument that plaintiff's mark under Registration No. 1,111,956 was susceptible to challenge because it had not yet achieved incontestable status. As noted above, that mark differs from the incontestable mark No. 919,591 because it consists of the words Park 'N Fly without the airplane logo. The court concluded that Dollar Park and Fly's challenge to the mark could not succeed because a party does not have to copy a mark exactly in order to infringe, and because infringement is possible when only the salient or dominent part of a mark is copied, citing *WSM, Inc.* v. *Bailey*, 297 F. Supp. 870, 872 (M.D. Tenn. 1969).

The Court further rejected the defendant's argument that there was no likelihood of confusion between the two marks because the companies operated in different geographical locations. The court concluded that the owner of a federal registration was entitled to the security of knowing that the trademark could not be adopted even in a different area of the country, particularly in the airport shuttle business where the customers were travelers from all parts of the country.

Consequently, the district court upheld the validity of the service marks of Park 'N Fly, Inc. and issued an injunction barring Dollar Park and Fly's infringement of the designation "Park and Fly."

The Ninth Circuit Appeal

Dollar Park and Fly appealed the decision and injunction of the District Court on grounds substantially similar to those it raised in the District Court. Dollar Park and Fly also argued specifically that the status of incontestability could not be used offensively to enjoin an alleged infringer and, further, that incontestability could not be used to shield a defective mark, citing primarily *Tillamook County Creamery Ass'n.* v. *Tillamook Cheese & Dairy Ass'n*, 345 F.2d 158, 163 (9th Cir.) *cert denied* 382 U.S. 903 (1965); and *Wrist-Rocket Mfg. Co., Inc.* v. *Saunders Archery Co.*, 516 F.2d 846, 851 (8th Cir.) *cert denied* 423 U.S. 870 (1975) (other citations omitted).

On appeal Park 'N Fly, Inc. argued, *inter alia*, that it was entitled to injunctive relief under federal trademark law, contending that any "defensive/offensive" distinction with regard to the status of incontestability was incorrect, citing primarily *Union Carbide Corp.* v. *Ever-Ready, Inc.*, *supra*, 531 F.2d 366; *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, *supra*, 537 F.2d 4; and *John R. Thompson Co.* v. *Holloway*, 366 F.2d 108 (5th Cir. 1966), among other sources.

The Ninth Circuit affirmed in part and reversed in part the District Court decision. The Court upheld the validity of Park'N Fly's two marks, concluding that, without sufficient evidence with respect to consumer perceptions, Park 'N Fly's marks could not be considered generic.

The Ninth Circuit reversed the injunction against infringement, however, rejecting Park 'N Fly's argument that the incontestability of its mark entitled it to such relief. The Court concluded that the defensive/offensive distinction noted above prohibited an injunction based on the incontestable status of a mark because that status could only be used defensively to protect a mark against cancellation. The Court went on to find that a party could defend against the effect of federal registration on grounds not included in §1115(b) and found further that Park 'N Fly's mark was merely descriptive and therefore, although not susceptible to cancellation on that ground, not sufficient to support injunctive relief.

REASONS FOR ALLOWING THE WRIT

Introduction

The Ninth Circuit opinion in this case should be reviewed on a writ of certiorari by this Court because it is in direct conflict with other circuits and because it is based on a faulty application of federal trademark law.

The Lanham Act provisions at the heart of this appeal involve the status and effect of incontestability. Under 15 U.S.C. §1065 (Section 15 of the Lanham Act) a federally registered trademark becomes incontestable under certain conditions. The mark must not be the subject of a final, adverse decision as to its ownership or registration, nor may such a proceeding be pending. §1065(1) and (2). To achieve incontestability the registrant must file an affidavit testifying that the conditions in subsection (1) and (2) have been met, and that the mark has been used continuously in commerce for five years. §1065(3). Finally, no mark may become incontestable if it is the "common descriptive name of any article or substance." §1065(4).*

As noted above, Park 'N Fly, Inc. complied with the prerequisites for incontestability and the status was granted. Consequently, it became entitled to the Lanham Act protection provided in §1115(b), which states in pertinent part that "the registration shall be *conclusive evidence* of the registrant's *exclusive right* to use the registered mark in commerce" (emphasis supplied), subject to the seven defenses set out in §1115(b) which are summarized above at p. 8, fn. 5. And, as the Ninth Circuit noted in its opinion below, "[i]f an incontestable mark becomes generic, it may be cancelled pursuant to 15 U.S.C. §1064(c), but an incontestable mark *cannot be challeng-*

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* Section 1065 also excepts from the status of incontestability marks which have been abandoned, are procurred by fraud or become generic, and are therefore subject to cancellation under §1064(c) and (e).

ed for being 'merely descriptive.' See Abercrombie & Fitch Co., supra, 537 F.2d at 12-13; *Park 'N Fly, Inc.* v. *Park & Fly, Inc.*, 489 F. Supp. 422, 424 (D. Mass. 1979)." *Park 'N Fly, Inc.* v. *Dollar Park and Fly, supra,* 718 F.2d at 330 (emphasis supplied).

The Writ Of Certiorari Should Be Allowed To Resolve A Direct Conflict Among The Circuits

The Ninth Circuit ruled in the instant case that Section 1115(b) of the Lanham Act does not provide an offensive basis for registrant with an incontestable mark to enjoin the use of an infringing mark. That Court ruled further that a party could defend against the effect of federal registration as if the mark in question were not incontestable and, thus, allowed Dollar Park and Fly to argue that the mark at issue was merely descriptive. The Court then found the mark to be merely descriptive and defeated Park 'N Fly's effort to protect the mark.'

The Ninth Circuit's holding below is based principally on *Tillamook County Creamery Ass'n.* v. *Tillamook Cheese & Dairy Ass'n., supra,* 345 F.2d 158 (9th Cir. 1965), which is itself based on a decision which has since been overruled. In *Tillamook* two dairy companies which had formerly been affiliated competed with each other for the use of the name "Tillamook" on cheese and milk products. The Ninth Circuit ruled that the plaintiff had not established prior, exclusive use and that the defendant had not abandoned its right to use the name, and affirmed the denial of injunctive relief below.

The *Tillamook* court then went on gratuitously to discuss the incontestability provisions of the Lanham Act, commenting in dicta that the appellant had "properly refrain[ed] from arguing

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[7] The Ninth Circuit's finding in this regard lacks sufficient explanation and is without basis in the record. As such, it violates the requirement of Fed. R. Civ. P. 52 that district court findings of fact not be set aside unless clearly erroneous.

that this incontestability provision aids it in this act." 345 F.2d at 163. The Court then described what has become known as the "defensive/offensive distinction" and stated that the incontestability provision was designed defensively to protect a registrant from having its mark cancelled but could not be used by a registrant to obtain relief from an infringing use of its mark. *Id.* at 163.[8]

In *Tillamook* the Ninth Circuit based its adoption of the defensive/offensive distinction on *John Morrell & Co.* v. *Reliable Packing Co.*, 295 F.2d 314 (7th Cir. 1961), *overruled, Union Carbide Corp.* v. *Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). In *Morrell* two pork producers competed for the designations "E-Z Cut" and "E-Z Carve Ham" on fully cooked hams each company produced. In reversing the injunction granted by the District Court, the Seventh Circuit originally interpreted Section 1115(b) of the Lanham Act not to support the award of an injunction because the rights conferred by incontestability status were considered to be defensive only.[9] The court therefore held that Section

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[8] The *Tillamook* Court also stated hypothetically that an offensive action under the incontestability provisions of the Lanham Act would have failed on the merits in any event because of subsection (4) of 15 U.S.C. 1115(b) which, as noted above at p. 8, fn. 5, limits the assertion of incontestability when the mark has been used other than as a trade or service mark. In *Tillamook* the mark was the geographic name of the home of the competing companies and hence was within the subsection (4) exception. 345 F.2d at 163-163.

[9] In this regard *Morrell* has been described as "a hopelessly confused opinion", McCarthy, Trademarks and Unfair Competition, Vol. 1, Section 11:16, p. 377, fn. 16. Another authority on trademarks describes the section of *Rand McNally* upon which *Morrell* relied this way: "the quoted portion urged in dicta and was, in any event, ripped brutally out of context." Fletcher, Incontestability and Constructive Notice: a Quarter Century of Adjudication, 63 Trademark Rep. 71, 95 (1975).

1115(b) could only be used by a registrant in a cancellation proceeding. In reaching this result, the Court relied entirely on *Rand McNally & Co.* v. *Christmas Club*, 105 U.S.P.Q. 499 (June 14, 1955). The Seventh Circuit's reliance on *Rand McNally* was, however, misplaced because *Rand McNally* dealt with the expansion of a mark beyond the service for which it was originally designated and not the clear dispute over a single name presented by *Morrell* and *Tillamook*.

In *Rand McNally*, both the petitioner and the registrant had Christmas Savings Plans called "Christmas Club Systems". The petitioner had stated that it had "no objection whatsoever to respondent's continued use of the trademark" for its savings accounts. 105 U.S.P.Q. at 500. The dispute, however, was over the registrant's efforts to expand the designation beyond a savings system to use it in its magazine. It was in this context that the petitioner challenged the expanded use of the mark "Christmas Club". The assistant commissioner of patents ruled in *Rand McNally* that the petitioner, who had never published a periodical comparable to the registrant's, could not block the distinct use of the term by the registrant. The assistant commissioner did not, however, hold that reliance upon the status of incontestability was improper by a registrant in an infringement action. Rather, the assistant commissioner described a limitation on the *expansion* of offensive use, saying that "[a]cquisition of an incontestable right to use the mark on a periodical as the result of the filing of an affidavit in accordance with section 15 [15 U.S.C. §1065] will not provide respondent with an 'offensive weapon' *of any greater magnitude than that which it has had since the registration issued* in 1927." 105 U.S.P.Q. at 501 (emphasis supplied).

The Seventh Circuit decision that overruled *Morrell*, *Union Carbide Corp.* v. *Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976), stands in stark contrast to the Ninth Circuit approach.

In *Union Carbide* the Seventh Circuit dealt exhaustively with the trademark "Ever-Ready" for use in batteries and certain types of lights, including flashlights. The court carefully surveyed the law with respect to the incontestability provision of the Lanham Act, 531 F.2d at 371-377, and specifically overruled *Morrell*, holding that:

> a plaintiff in an infringement action establishes conclusively, under section 1115(b), his exclusive right to use a trademark to the extent he shows his trademark has become incontestable under section 1065. Incontestability does not broaden a trademark in the sense that it allows a registrant to claim rights over a greater range of products than he would otherwise be entitled to claim; but once incontestability is established, registrant's mark is immune from challenge on any grounds not enumerated in section 1115(b). There is no defensive/offensive distinction in this statute, and we do not believe one should be judicially engrafted on to it. 531 F.2d at 377.[10]

In reaching this result the Seventh Circuit noted the confusion generated by *Morrell* as to the effect of incontestability. The Seventh Circuit described the language of *Tillamook* as "perhaps unfortunate" and demonstrated the misplaced reliance on the *Rand McNally* case described above. 531 F.2d at 373-374. In addition, the Seventh Circuit analyzed the defensive/offensive dichotomy of *Morrell* and *Tillamook* in terms of the legislative history and language of the Lanham Act and found no justification for the distinction. 531 F.2d at 376. Finally, the Seventh Circuit noted that even though the *Rand*

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[10] This is, of course, the approach petitioner herein would urge on the merits in the event this petition for certiorari is granted. At this point, however, the holdings of *Union Carbide* and similar cases cited herein are set out primarily to demonstrate the distinct conflict among the circuits with regard to the incontestability provision of the Lanham Act.

McNally decision is apparently the source of the defensive/offensive dichotomy, even the patent office appeals board that decided *Rand McNally* seemingly no longer follows the distinction. *See Seiler's, Inc.* v. *Hickory Valley Farm, Inc.*, 139 U.S.P.Q. 460 (1963) (sustaining an opposition by the registrant of an incontestable mark on the grounds that its incontestable status was conclusive evidence of its exclusive right to use the mark), cited at 531 F.2d at 377.

The Fifth Circuit's approach to incontestability under the Lanham Act is essentially to the same effect as that which the Seventh Circuit set out in *Union Carbide*. In a dispute over the use of the name "Holloway House", *John R. Thompson Co.* v. *Holloway*, 366 F.2d 108, 113-116 (5th Cir. 1966), the Court held that a registrant that had achieved incontestable status had the exclusive right to use its mark in commerce, could affirmatively enforce that right, and that a defendant in an enforcement action was limited to the defenses listed in §1115(b). *See also Soweco, Inc.* v. *Shell Oil Co.*, 617 F.2d 1178, 1184-1185 (5th Cir. 1980), *cert. denied* 450 U.S. 981 (1981) (holding in a dispute as to the mark "Larvacide" for the name of a fumigant for bugs, slugs, insects and rodents, that once a mark has become incontestable under §1065, it is conclusively presumed not to be merely descriptive, or to have acquired a secondary meaning; and is subject only to the seven defenses set out in §1115(b), citing *Union Carbide, supra*, 531 F.2d at 377).

Several other courts have followed the *Union Carbide* reasoning on incontestability in contrast to the Ninth Circuit's approach. *See, e.g. United States Jaycees* v. *Philadelphia Jaycees*, 639 F.2d 134 (3rd Cir. 1981) (allowing injunctive relief to protect an incontestable mark and limiting the defenses to the seven defenses listed in §1115(b)); *Park 'N Fly, Inc.* v. *Park & Fly, Inc.*, 489 F.Supp. 422 (D. Mass. 1979) (granting injunctive relief to petitioner herein based on the incontestability of its mark, limiting defenses to those listed in §1115(b), following the *Union Carbide* decision and rejecting the *Tillamook* and *Mor-*

rell rationale); *Salton, Inc.* v. *Cornwall Corp.*, 477 F.Supp. 975, 987-988 (D.N.J. 1979) (following *Union Carbide* as to effect of incontestability noting that the basis of the overly restrictive view of incontestability—*Morrell*—has been overruled). *Cf. Abercrmbie & Fitch Co.* v. *Hunting World, Inc.*, 537 F.2d 4, 11-12 (2d Cir. 1976) (holding that a mark that has become incontestable under the Lanham Act is valid even if merely descriptive).

The *Union Carbide* reasoning has even been followed by a district court within the Ninth Circuit. In *Levi Strauss & Co.* v. *Blue Bell, Inc.*, 200 U.S.P.Q. 434, 443-445 (N.D. Cal. 1978) the Court limited the defenses to an infringement action which sought to enjoin the use of an incontestable mark to those listed in §1115(b) and granted an injunction against infringement.[11]

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[11] The Ninth Circuit, however, confirmed its position on incontestability recently in *Prudential Insurance Co.* v. *Gibraltar Financial Corp.*, 694 F.2d 1150, 1153 (9th Cir. 1982), *cert. denied*____U.S.____, 103 St. Ct. 3538 (1983), maintaining that its interpretation of the statue to contain a defensive/offensive distinction is reasonable, citing at p. 1153, fn. 3 Callman, Unfair Competition and Trademarks, 2d Ed., Vol. 4 §93.3(c)(1), p. 2075-2076 for the proposition that incontestability may only be used defensively. Since that time, however, Callman has retreated from that restrictive view, quoting *Union Carbide* at length as questioning and rejecting the defensive/offensive distinction. Callman, Unfair Competition, Trademarks and Monopolies, 4th Ed., Vol. 4A, §§25.08, 25.09. Also, the Preface to Vol. 4A of Callman's 4th Ed. states at p. iii that "in the controversy over whether incontestability of a registration is a sword as well as a shield, the weight of authority seems to be leaning toward judicial approval of offensive use."

In addition, the Eighth Circuit, which had initially adopted the *Morrell* defensive/offensive distinction in *Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 516 F.2d 846 (8th Cir.), *cert. denied* 423 U.S. 870 (1975), has retreated somewhat from the position in a subsequent decision in the same case in which the issue of incontestability was not reached, noting the "carefully considered" *Union Carbide* decision. *Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 578 F.2d 727, 731, n.4 (8th Cir. 1978). *But see, Schwinn Bicycle Co.* v. *Murray Ohio Mfg. Co.*, 339 F.Supp. 973, 982 (M.D. Tenn.) (following *Tillamook* and the subsequently overruled *Morrell* decision, and noting *Tillamook's* reliance on the 2d Ed. of Callman which, as described herein, is no longer Callman's position), *aff'd per curiam on other grounds*, 470 F.2d 975 (6th Cir. 1972).

The direct conflict among the circuits with regard to incontestability should be resolved by this Court because it frustrates the purpose of Lanham Act and creates intolerable inconsistencies in the conduct of business by those subject to federal trademark protection.

In passing the Lanham Act Congress intended "to unify trademark law on a national basis." *Union Carb.* v. *Ever-Ready, Inc., supra,* 531 F.2d at 376. Moreover, its purpose included the provision of substantive as well as procedural protection. The Senate Committee Report on the Act describes the purpose this way:

> "There can be no doubt under the recent decisions of the Supreme Court of the constitutionality of a national act giving substantive as distinguished from merely procedural rights in trade-marks in commerce over which Congress has plenary power . . . a sound public policy requires that trade-marks should receive nationally the greatest protection that can be given. Sen. Rep. No. 1333, 79th Cong., 2d Sess (1946), U.S. Code Cong. Serv. 1946, p. 1277.

Union Carbide v. *Ever-Ready, supra,* 531 F.2d at 376. Also, the inclusion of the incontestability provisions defined important federal property rights for registrants whose marks qualified under §1065. See 4 Callman, Unfair Competition, Trademarks and Monopolies §93.3(c))1)(3d ed. 1970) at 598-605; *Union Carbide Corp.* v. *Ever-Ready, Inc., supra,* 531 F.2d at 376.

Viewed against this background, it is essential that the clear conflict among the circuits be resolved by this Court. This is particularly so in view of the national character of businesses protected by the Lanham Act, as exemplified by contradictory decisions with regard to Petitioner's own business. In Massachusetts it has been determined that Park 'N Fly is entitled to rely on the incontestability status of its mark to have an infringer enjoined. and the infringer's defenses have been limited

to those enumerated in §1115(b). *Park 'N Fly, Inc.* v. *Park & Fly, Inc.*, 489 F.Supp. 422 (D. Mass. 1979). In Oregon, however, it has been determined in the instant case that the same company cannot affirmatively protect its incontestable mark and that the extra-statutory defense of mere descriptiveness is available to an alleged infringer of the incontestable mark.

This Court should resolve the conflicts.

The Ninth Circuit's Interpretation Of The Incontestability Provision Of The Lanham Act Is An Incorrect Application Of Federal Law

In addition to the grounds argued above, this Court should grant certiorari in this action to correct the Ninth Circuit's incorrect application of federal law.

As provided by the legislative history of the Lanham Act set forth above, and described in the *Union Carbide* decision, *supra* 531 F.2d at 376, the Lanham Act is the effort of Congress to make a uniform federal law of trademarks. The opinon below, as well as the *Tillamook* case upon which it relies, threatens this uniformity with the defensive/offensive dichotomy and the allowance of extra-statutory defenses to infringement actions based on incontestable marks.

In enacting §1115(b) of the Lanham Act, Congress provided that a registrant had the exclusive right to use its registered mark once that mark had become incontestable within the meaning of §1065. Congress then limited the defenses which may be mounted against an incontestable mark to the seven defenses enumerated in §1115(b). Nothing in the statute states or even implies that a registrant has an exclusive right only to defend its mark through the use of its incontestability status. As described above, the Ninth Circuit has judicially engrafted such a provision onto the Lanham Act in reliance on the subsequently overruled *Morrell* case, which itself relied upon a mistaken reading of the dicta in the *Rand McNally* case. As a result, a registrant is

deprived of the right to use its incontestable mark exclusively even though the Lanham Act provides for such exclusive use.

Moreover, there is no indication that Congress intended to establish any further defenses than the seven listed in §1115(b) with which to defend an infringement action. *See, e.g., Soweco, Inc.*, v. *Shell Oil Co., supra*, 617 F.2d 1178 (5th Cir. 1980); *Union Carbide Corp.* v. *Ever-Ready, Inc., supra*, 531 F.2d 366 (7th Cir. 1976); *John R. Thompson Co.* v. *Holloway, supra*, 366 F.2d 108 (5th Cir. 1966).

By engrafting such a limitation of incontestability rights on one hand, and writing an expansion of rights onto the Lanham Act on the other hand, the Ninth Circuit threatens the integrity of federal trademark law and dilutes the rights of registrants thereunder.

This Court should correct the error.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that this Court grant the Writ of Certiorari.

Respectfully submitted,

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DATED: January 10, 1984